

③
Art's Files
'What if'

Competitor Analysis

- Volume Trends
- Income Forecast
- Impact on Corporate Objectives

BP WIC Update 12/7/92

2070982533

Product Category Trends

(Billions)

<u>Total Industry</u>	<u>1992E</u>	<u>1993E</u>	<u>Unit Change</u>
Premium	348.1	308.6	(39.5)
Branded Discount	76.2	66.8	(9.4)
Black & White/PL	<u>74.4</u>	<u>108.3</u>	<u>33.9</u>
TOTAL	498.7	483.7	(15.0)

Source: PM-USA Market Research 11/19/92

* 36.2 PV Share Scenario

BP WIC Update 12/7/92

2070982534

1993 SCENARIO ASSUMPTIONS

Scenario No. 1 (1993 OB)

- 36.2 PV Share (Up 6.0 Share Points from 1992E)
- 1993 Pricing = \$8.00 per M increase on all categories
- Industry Volume = 483.7 Bil. units (vs. 498.7 Bil units in 1992E)

Scenario No. 2

- 39.2 PV Share (Up 9.0 Share Points from 1992E)
- 1993 Pricing = \$8.00 per M increase on Premium and Branded Discount categories; \$1.00 per M net increase on BW/PL

Both Scenarios

- Include \$2.00 per M FET increase, Eff. Jan 1, 1993
- No Net Market share gain or loss due to add'l discount growth
- Excludes PM-USA Duty Free Volume & OI
- Includes 1.5 Bil units of new Canadian Players Business (PM-USA)
- Realized pricing on Low-end is equal by company
- Marketing expenditures are held constant versus 1992

2070982535

INDUSTRY IFO GROWTH RATE DECLINES AS DISCOUNT CATEGORY RISES

	(Millions)			
	<u>1992 Estimate</u>	<u>1993 Estimate*</u>	<u>% Change</u>	<u>1986-1991 CAG %</u>
PM-USA	\$5,185	\$5,566**	7.4%	15.0%
RJR	2,137	2,249	5.2%	9.2%
B&W	640	682	6.6%	5.1%
Lorillard	870	973	11.8%	13.0%
American	553	507	(8.3%)	5.0%
Liggett	<u>50</u>	<u>109</u>	<u>118.0%</u>	<u>23.5%</u>
Total	\$9,435	\$10,086	6.9%	11.8%

* BASED ON 36.2 PV SCENARIO (12/07/92)

** PM-USA FINANCE DEPT.

2070982536

INDUSTRY IFO WILL DECLINE IF DISCOUNT CATEGORY GROWS NINE SHARE POINTS IN 1993

	(Millions)			
	<u>1992 Estimate</u>	<u>1993 Estimate*</u>	<u>% Change</u>	<u>1986-1991 CAG %</u>
PM-USA	\$5,185	\$5,566**	7.4%	15.0%
RJR	2,137	1,966	(8.0%)	9.2%
B&W	640	477	(25.4%)	5.1%
Lorillard	870	939	7.9%	13.0%
American	553	443	(19.9%)	5.0%
Liggett	<u>50</u>	<u>44</u>	<u>(13.0%)</u>	<u>23.5%</u>
Total	\$9,435	\$9,435	-	11.8%

* BASED ON 39.2 PV SCENARIO (12/07/92)

** PM-USA FINANCE DEPT.

2070982537

Except B&W, Competitors Outspend PM-USA on a Per M Basis

1993 E - \$ Millions

	Total Marketing	
	\$	Per M
PM-USA	\$2,479	\$11.72
RJR	\$2,469	\$17.61
B&W	\$648	\$11.65
American	\$437	\$14.81
Lorillard	\$432	\$13.13

* Based on 36.2 PV Scenario (12/7/92)

BP WIC Update 12/7/92

2070982538

**RJR Premium Volume Declines are Forecast to remain High
while Deep Discount Growth will partially offset losses.**

	(Billions)				
	1991 <u>Actual</u>	1992 <u>Estimate</u>	Unit <u>Change</u>	1993 <u>Estimate*</u>	Unit <u>Change</u>
Premium	105.6	96.1	(9.5)	81.8	(14.7)
Branded Discount	30.2	28.5	(1.7)	25.4	(3.1)
Black & White/PL	<u>5.9</u>	<u>20.2</u>	<u>14.3</u>	<u>33.1</u>	<u>12.9</u>
Total	141.7	144.8	3.1	140.3	(4.5)

Source: PM-USA Market Research 11/19/92
***36.2 PV Share Scenario**

BP WIC Update 12/7/92

2070982539

**RJR Premium Volume Decline Rates Are Forecast to Remain High
Generics Account for All Discount Product Growth in 1992 & 1993
Generics Represent 29% of RJR Volume in 1993**

	(Billions)				
	<u>1991 Actual</u>	<u>1992 Estimate</u>	<u>Unit Change</u>	<u>1993 Estimate*</u>	<u>Unit Change</u>
Premium	105.6	96.1	(9.5)	78.6	(17.5)
Branded Discount	30.2	28.5	(1.7)	21.5	(7.0)
Black & White/PL	<u>5.9</u>	<u>20.2</u>	<u>14.3</u>	<u>40.2</u>	<u>20.0</u>
Total	141.7	144.8	3.1	140.3	(4.5)

Source: PM-USA Market Research 11/19/92
*39.2 PV Share Scenario

BP WIC Update 12/7/92

2070982540

RJR Can Maintain High Marketing Spend in 1993 and Show Income Growth

	(Millions)				
	<u>1991 Actual</u>	<u>1992 Estimate</u>	<u>% Change</u>	<u>1993 Estimate*</u>	<u>% Change</u>
Net Revenues (Ex. FET)	\$5,858	\$6,306	7.7%	\$6,398	1.5%
Marketing	\$1,982	\$2,470	24.6%	\$2,470	-
Operating Income	\$2,226	\$2,137	(4.0%)	\$2,249	5.2%
Margin	38.0%	33.9%		35.2%	
OI Per M	\$15.68	\$14.76		\$16.04	
PM-USA OI Per M	\$21.65	\$24.29		\$26.32	

* Assumes \$6.00 per M price increase on all categories

BP WIC Update 12/7/92

2070982541

RJR's Income declines if Discount grows nine share points

	(Millions)				
	1991 <u>Actual</u>	1992 <u>Estimate</u>	<u>% Change</u>	1993 <u>Estimate*</u>	<u>% Change</u>
Net Revenues (Ex. FET)	\$5,858	\$6,306	7.7%	\$6,114	(3.0%)
Marketing	\$1,982	\$2,470	24.6%	\$2,470	-
Operating Income	\$2,226	\$2,137	(4.0%)	\$1,966	(8.0%)
Margin	38.0%	33.9%		32.2%	
OI Per M	\$15.68	\$14.76		\$14.02	
PM-USA OI Per M	\$21.65	\$24.29		\$26.32	

* Assumes \$6.00 per M price increase on Premium & Branded Discount categories;
\$1.00 per M net increase on BW/PL category.

BP WIC Update 12/7/92

2070982542

A Five Percent increase in Tobacco IFO adds about 8 percent to RJR's Net Income

	(Millions)				
<u>Operating Income</u>	<u>1991 Actual</u>	<u>1992 Estimate</u>	<u>% Change</u>	<u>1993 Estimate</u>	<u>% Change</u>
Domestic tobacco	\$2,226	\$2,137	(4.0%)	2,249	5%
International Tobacco	500	582	16%	679	17%
Food	<u>920</u>	<u>995</u>	<u>8%</u>	<u>1,093</u>	<u>10%</u>
Total OI	\$3,646	\$3,714	2.6%	4,021	8%
Good Will Amortization	\$609	609	-	609	-
Corporate Expense	103	114	11%	119	4%
Interest Expense	2,217	1,465	(34%)	1,310	(11%)
Other	<u>69</u>	<u>30</u>	<u>(57%)</u>	<u>23</u>	<u>(23%)</u>
Pre-Tax Income	\$648	\$1,496	131%	\$1,960	31%
Net Income	\$368	\$784	113%	\$1,074	37%

Source: Domestic Tobacco - PM-USA Business Planning/ All Other: Dean Witter (8'92)
36.2 PV Scenario (12/7/92)

BP WIC Update 12/7/92

2070982543

An Eight Percent decline in Tobacco IFO reduces RJR's Net Income by 12%

	(Millions)				
<u>Operating Income</u>	<u>1991 Actual</u>	<u>1992 Estimate</u>	<u>% Change</u>	<u>1993 Estimate</u>	<u>% Change</u>
Domestic tobacco	\$2,226	\$2,137	(4.0%)	\$1,966	(8.0%)
International Tobacco	500	582	16%	679	17%
Food	<u>920</u>	<u>995</u>	<u>8%</u>	<u>1,093</u>	<u>10%</u>
Total OI	\$3,646	\$3,714	2.6%	3,738	1%
Good Will Amortization	\$609	609	-	609	-
Corporate Expense	103	114	11%	119	4%
Interest Expense	2,217	1,465	(34%)	1,310	(11%)
Other	<u>69</u>	<u>30</u>	<u>(57%)</u>	<u>23</u>	<u>(23%)</u>
Pre-Tax Income	\$648	\$1,496	131%	\$1,677	12%
Net Income	\$368	\$784	113%	\$919	17%

Source: Domestic Tobacco - PM-USA Business Planning/ All Other: Dean Witter (8'92)
39.2 PV Scenario (12/7/92)

BP WIC Update 12/7/92

2070982544

RJR SENSITIVITY

<u>INVENTORY LOAD 4Q:</u>	<u>Incremental OI (\$ Mils)</u>	<u>IFO % CHANGE from 1992E</u>	
		<u>6 Shr. Scenario</u>	<u>9 Shr. Scenario</u>
1 - wk*	\$101	9.7%	(3.5%)
2 - wks	\$202	14.2%	1.0%
3 - wks	\$303	18.7%	5.5%
<u>REDUCE MARKETING BY:</u>			
2.5%	\$62	8.1%	(5.1%)
5.0%	\$124	11.0%	(2.2%)
8.0%	\$198	14.5%	1.3%

* 2.1 Bil breakdown: 1.4 Bil - Premium, 0.7 Bil - Branded Discount

BP WIC Update 12/7/92

2070982545

Aggressive RJR Scenario

If RJR seeks Flat Volume, it can spend \$186 Million additional against its Full Margin Brands to generate approximately 5 billion incremental units. As a result, RJR's IFO would be flat with 1992. At this spending rate, RJR would outspend PM-USA by \$370 million dollars.

	1993E Aggressive RJR <u>Scenario</u>
RJR VOLUME	144.4
RJR MARKETING SPENDING	\$2,851.6
RJR IFO	\$2,137.0
YEAR TO YEAR IFO GROWTH	0.0%

Source: Market Research/J. Heironimus

BP WIC Update 12/7/92

2070982546

B&W Discount Volume Mix Shifts to Generics
Generics Will Pass Kool in Size and Account for 50% of
Total Volume in 1993

(Billions)

	<u>1991 Actual</u>	<u>1992 Estimate</u>	<u>Unit Change</u>	<u>1993 Estimate</u>	<u>Unit Change</u>
Premium	29.7	26.2	(3.5)	21.5	(4.7)
Branded Discount	16.4	8.9	(7.5)	6.3	(2.6)
Black & White/PL	<u>10.5</u>	<u>21.8</u>	<u>11.3</u>	<u>27.8</u>	<u>6.0</u>
Total	56.6	56.9	0.3	55.6	(1.3)

Source: PM-USA Market Research 11/19/92
 36.2 PV Share Scenario

BP WIC Update 12/7/92

2070982547

**B&W Discount Volume Mix Shifts to Generics
Generics Will Pass Kool in Size and Account for 58% of
Total Volume in 1993**

(Billions)

	<u>1991 Actual</u>	<u>1992 Estimate</u>	<u>Unit Change</u>	<u>1993 Estimate</u>	<u>Unit Change</u>
Premium	29.7	26.2	(3.5)	19.3	(6.9)
Branded Discount	16.4	8.9	(7.5)	3.8	(5.1)
Black & White/PL	<u>10.5</u>	<u>21.8</u>	<u>11.3</u>	<u>32.5</u>	<u>10.7</u>
Total	56.6	56.9	0.3	55.6	(1.3)

Source: PM-USA Market Research 11/19/92
39.2 PV Share Scenario

BP WIC Update 12/7/92

2070982548

In Base Forecast B&W generates an additional \$42 million

	(Millions)				
	1991 Actual	1992 Estimate	% Change	1993 Estimate*	% Change
Net Revenues (Ex. FET)	\$2,024	\$2,019	(0.3%)	\$2,057	(1.9%)
Marketing	\$692	\$649	(6.2%)	\$648	(0.2%)
Operating Income \$	\$620	\$640	3.2%	\$682	6.6%
Operating Income £	£235	£410		£437**	
Margin	30.6%	31.7%		32.2%	
OI Per M	\$10.96	\$11.25		\$12.26	
PM-USA OI Per M	\$21.65	\$24.29		\$26.32	

* Assumes \$6.00 per M price increase on all categories

** Exchange Rate: 0.6412 per U.S. Dollar

BP WIC Update 12/7/92

2070982549

In Nine Point Scenario, B&W drops \$163 million

	(Millions)				
	<u>1991 Actual</u>	<u>1992 Estimate</u>	<u>% Change</u>	<u>1993 Estimate*</u>	<u>% Change</u>
Net Revenues (Ex. FET)	\$2,024	\$2,019	(0.3%)	\$1,853	(8.2%)
Marketing	\$692	\$649	(6.2%)	\$648	(0.2%)
Operating Income \$	\$620	\$640	3.2%	\$477	(25.5%)
Operating Income £	£235	£410		£306**	
Margin	30.6%	31.7%		25.7%	
OI Per M	\$10.96	\$11.25		\$8.58	
PM-USA OI Per M	\$21.65	\$24.29		\$26.32	

* Assumes \$6.00 per M price increase on Premium & Branded Discount categories;
\$1.00 per M net increase on BW/PL category

** Exchange Rate: 0.6412 per U.S. Dollar

BP WIC Update 12/7/92

2070982550

BAT International Tobacco and Financial Services Will Provide Majority of Corporate Operating Income Growth

(In Pound Sterling)

<u>Operating Income</u>	<u>1991 Actual</u>	<u>1992 Estimate</u>	<u>% Change</u>	<u>1993** Estimate</u>	<u>% Change</u>
Brown & Williamson USA	365	410	12.3%	437	6.6%
BAT International*	<u>710</u>	<u>800</u>	<u>12.7%</u>	<u>900</u>	<u>12.5%</u>
Total Tobacco	1,075	1,210	12.5%	1,337	10.5%
Financial Services	(22)	243	+100.0%	348	43.2%
Life Insurance	254	273	7.5%	296	8.4%
Other	31	34	9.7%	38	11.8%
Share of Associates Net Interest	<u>(65)</u>	<u>(68)</u>	<u>(4.6%)</u>	<u>(72)</u>	<u>(5.9%)</u>
Total OI	1,273	1,692	32.9%	1,947	15.1%
\$/£ Exchange Rate (\$)	\$1.70	\$1.56		\$1.56	

Source: B&W USA - Business Planning/All Other: Kidder Peabody & Co.

* Includes U.S. Exports

**36.2 PV Share Scenario

BP WIC Update 12/7/92

1997860702

BAT International Tobacco and Financial Services Will Provide Majority of Corporate Operating Income Growth

(In Pound Sterling)

<u>Operating Income</u>	<u>1991 Actual</u>	<u>1992 Estimate</u>	<u>% Change</u>	<u>1993** Estimate</u>	<u>% Change</u>
Brown & Williamson USA	365	410	12.3%	306	(25.4%)
BAT International*	<u>710</u>	<u>800</u>	<u>12.7%</u>	<u>900</u>	<u>12.5%</u>
Total Tobacco	1,075	1,210	12.5%	1,206	(0.3%)
Financial Services	(22)	243	+100.0%	348	43.2%
Life Insurance	254	273	7.5%	296	8.4%
Other	31	34	9.7%	38	11.8%
Share of Associates Net Interest	<u>(65)</u>	<u>(68)</u>	<u>(4.6%)</u>	<u>(72)</u>	<u>(5.9%)</u>
Total OI	1,273	1,692	32.9%	1,816	7.3%
\$/£ Exchange Rate (\$)	\$1.70	\$1.56		\$1.56	

Source: B&W USA - Business Planning/All Other: Kidder Peabody & Co.

* Includes U.S. Exports

**39.2 PV Share Scenario

BP WIC Update 12/7/92

Z99Z860Z0Z

American Premium Volume Decline Is Not Offset By Discount Product Growth Generics Gain at Branded Discount Expense

	(Billions)				
	1991 <u>Actual</u>	1992 <u>Estimate</u>	Unit <u>Change</u>	1993 <u>Estimate*</u>	Unit <u>Change</u>
Premium	22.2	17.2	(5.0)	13.5	(3.7)
Branded Discount	13.6	13.6	-	10.2	(3.4)
Black & White/PL	<u>-</u>	<u>1.9</u>	<u>1.9</u>	<u>5.8</u>	<u>3.9</u>
Total	35.8	32.7	(3.1)	29.5	(3.2)

Source: PM-USA Market Research 11/19/92
* 36.2 PV Share Scenario

BP WIC Update 12/7/92

2070982553

American Premium Volume Decline Is Not Offset By Discount Product Growth Generics Gain at Branded Discount Expense

	(Billions)				
	<u>1991 Actual</u>	<u>1992 Estimate</u>	<u>Unit Change</u>	<u>1993 Estimate*</u>	<u>Unit Change</u>
Premium	22.2	17.2	(5.0)	12.5	(4.7)
Branded Discount	13.6	13.6	-	9.9	(3.7)
Black & White/PL	<u>-</u>	<u>1.9</u>	<u>1.9</u>	<u>7.2</u>	<u>5.3</u>
Total	35.8	32.7	(3.1)	29.5	(3.2)

Source: PM-USA Market Research 11/19/92
* 39.2 PV Share Scenario

BP WIC Update 12/7/92

2070982554

In Base Forecast American's Income drops 8.3%

	(Millions)				
	<u>1991 Actual</u>	<u>1992 Estimate</u>	<u>% Change</u>	<u>1993 Estimate*</u>	<u>% Change</u>
Net Revenues (Ex. FET)	\$1,368	\$1,399	2.8%	\$1,328	(5.1%)
Marketing	\$400	\$438	9.5%	\$438	-
Operating Income	\$541	\$553	2.2%	\$507	(8.3%)
Margin	39.5%	39.5%		38.2%	
OI Per M	\$15.11	\$16.91		\$17.19	
PM-USA Per M	\$21.65	\$24.29		\$26.32	

* Assumes \$6.00 per M price increase on all categories

BP WIC Update 12/7/92

2070982555

In Nine Share Point Scenario American Income Drops \$110 Million - Roughly 20%

	(Millions)				
	<u>1991 Actual</u>	<u>1992 Estimate</u>	<u>% Change</u>	<u>1993 Estimate*</u>	<u>% Change</u>
Net Revenues (Ex. FET)	\$1,368	\$1,399	2.8%	\$1,265	(9.6%)
Marketing	\$400	\$438	9.5%	\$438	-
Operating Income	\$541	\$553	2.2%	\$443	(19.9%)
Margin	39.5%	39.5%		35.0%	
OI Per M	\$15.11	\$16.91		\$15.02	
PM-USA Per M	\$21.65	\$24.29		\$26.32	

* Assumes \$6.00 per M price increase on Premium & Branded Discount categories;
\$1.00 per M net increase on BW/PL category.

BP WIC Update 12/7/92

2070982556

**Tobacco will account for two-thirds of AMB Profits in 1992.
Projected 1993 Domestic Tobacco Income Loss will Reduce
AMB Profits 3%**

	(Millions)				
<u>Operating Income</u>	<u>1991 Actual</u>	<u>1992 Estimate</u>	<u>% Change</u>	<u>1993 Estimate</u>	<u>% Change</u>
Domestic Tobacco	\$540	\$553	2.4%	\$507	(8.3%)
International Tobacco	<u>540</u>	<u>588</u>	<u>8.9%</u>	<u>640</u>	<u>8.8%</u>
Total	\$1,080	\$1,141	5.7%	\$1,147	0.5%
Life Insurance	152	168	10.5%	155	(7.7%)
Distilled Spirits	152	205	34.9%	220	7.3%
Office Products	38	45	18.4%	60	33.3%
Hardware & Home	142	164	15.5%	180	9.8%
Specialty Business	<u>68</u>	<u>78</u>	<u>14.7%</u>	<u>105</u>	<u>34.6%</u>
Total Operating Income	\$1,631	\$1,801	10.4%	\$1,867	3.7%

Source: Domestic Tobacco: Business Planning/All Other:Goldman Sachs (9/21/92)
36.2 PV Scenario (12/7/92)

BP WIC Update 12/7/92

2070982557

Under Nine Share Point Scenario Domestic Tobacco Income Loss Reduces AMB Profits 6%

	(Millions)				
<u>Operating Income</u>	<u>1991 Actual</u>	<u>1992 Estimate</u>	<u>% Change</u>	<u>1993 Estimate</u>	<u>% Change</u>
Domestic Tobacco	\$540	\$553	2.4%	\$443	(19.9%)
International Tobacco	<u>540</u>	<u>588</u>	<u>8.9%</u>	<u>640</u>	<u>8.8%</u>
Total	\$1,080	\$1,141	5.7%	\$1,083	(5.1%)
Life Insurance	152	168	10.5%	155	(7.7%)
Distilled Spirits	152	205	34.9%	220	7.3%
Office Products	38	45	18.4%	60	33.3%
Hardware & Home	142	164	15.5%	180	9.8%
Specialty Business	<u>68</u>	<u>78</u>	<u>14.7%</u>	<u>105</u>	<u>34.6%</u>
Total Operating Income	\$1,631	\$1,801	10.4%	\$1,803	0.1%

Source: Domestic Tobacco: Business Planning/All Other:Goldman Sachs (9/21/92)
39.2 PV Scenario (12/7/92)

BP WIC Update 12/7/92

899Z860Z0Z

Lorillard Premium Volume Decline is not offset by Discount Product Growth

	(Billions)				
	<u>1991 Actual</u>	<u>1992 Estimate</u>	<u>Unit Change</u>	<u>1993 Estimate*</u>	<u>Unit Change</u>
Premium	36.7	33.3	(3.4)	29.5	(3.8)
Branded Discount	0.3	1.9	1.6	3.4	1.5
Black & White/PL	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	37.0	35.2	(1.8)	32.9	(2.3)

Source: PM-USA Market Research 11/19/92
 * 36.2 PV Share Scenario

BP WIC Update 12/7/92

2070982559

Lorillard Premium Volume Decline is not offset by Discount Product Growth

	(Billions)				
	<u>1991 Actual</u>	<u>1992 Estimate</u>	<u>Unit Change</u>	<u>1993 Estimate*</u>	<u>Unit Change</u>
Premium	36.7	33.3	(3.4)	27.6	(5.7)
Branded Discount	0.3	1.9	1.6	5.3	3.4
Black & White/PL	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	37.0	35.2	(1.8)	32.9	(2.3)

Source: PM-USA Market Research 11/19/92
 * 39.2 PV Share Scenario

BP WIC Update 12/7/92

2070982560

Lorillard Must Hold 1993 Marketing Flat to Achieve Previous Year Income Growth %

	(\$Millions)				
	<u>1991 Actual</u>	<u>1992 Estimate</u>	<u>% Change</u>	<u>1993 Estimate*</u>	<u>% Change</u>
Net Revenues (Ex. FET)	\$1,639	\$1,745	6.5%	\$1,829	4.8%
Marketing	\$410	\$432	5.4%	\$432	-
Operating Income	\$772	\$870	12.7%	\$973	11.8%
Margin	47.1%	49.9%		53.2%	
Net Income	\$430	\$491	14.2%	\$558	13.7%
OI Per M	\$20.86	\$24.72		\$29.57	
PM-USA OI Per M	\$21.65	\$24.29		\$26.32	

* Assumes \$6.00 per M price increase on Premium, Branded Discount categories, and BW/PL category.
36.2% PV Scenario

BP WIC Update 12/7/92

2070982561

Lorillard Must Reduce Marketing in 1993 to Maintain Previous Year Income Growth%

	(Millions)				
	<u>1991 Actual</u>	<u>1992 Estimate</u>	<u>% Change</u>	<u>1993 Estimate*</u>	<u>% Change</u>
Net Revenues (Ex. FET)	\$1,639	\$1,745	6.5%	\$1,795	2.9%
Marketing	\$410	\$432	5.4%	\$432	-
Operating Income	\$772	\$870	12.7%	\$939	7.9%
Margin	47.1%	49.9%		52.3%	
Net Income	\$430	\$491	14.2%	\$538	9.6%
OI Per M	\$20.86	\$24.72		\$28.54	
PM-USA OI Per M	\$21.65	\$24.29		\$26.32	

* Assumes \$6.00 per M price increase on Premium & Branded Discount Categories;
 \$1.00 per M net increase on BW/PL category
 39.2% PV Scenario

BP WIC Update 12/7/92

7992860202

**Lorillard accounts for 70% of Loews Net Income.
Important that Lorillard remain stable.**

	(Millions)				
Net Income	1991 Actual	1992 Estimate	% Change	1993 Estimate	% Change
CNA Financial	\$290	\$221	(23.8%)	\$234	5.9%
Lorillard	430	491	14.2%	558	13.7%
Hotels	5	2	(60.0%)	5	150.0%
Bulova	2	-	(100.0%)	2	-
Investment Income	80	52	(35.0%)	65	25.0%
Other/Interest Expense	(75)	(73)	2.7%	(80)	(9.6%)
Equity in CBS	21	35	67.0%	45	28.6%
Shipping	4	3	(25.0%)	5	66.7%
Oil Drilling	<u>(11)</u>	<u>(44)</u>	<u>(300.0%)</u>	<u>(30)</u>	<u>31.8%</u>
Net Income Continuing Operations	\$746	\$687	(8.0%)	\$804	17.0%

Source: Lorillard - Business Planning/All Other: Salomon Brothers
36.2% PV Scenario 12/8/92

BP WIC Update 12/7/92

0992860202

**Lorillard accounts for 70% of Loews Net Income.
Important that Lorillard remain stable.**

	(Millions)				
<u>Net Income</u>	<u>1991 Actual</u>	<u>1992 Estimate</u>	<u>% Change</u>	<u>1993 Estimate</u>	<u>% Change</u>
CNA Financial	\$290	\$221	(23.8%)	\$234	5.9%
Lorillard	430	491	14.2%	538	9.6%
Hotels	5	2	(60.0%)	5	150.0%
Bulova	2	-	(100.0%)	2	-
Investment Income	80	52	(35.0%)	65	25.0%
Other/Interest Expense	(75)	(73)	3.0%	(80)	(9.6%)
Equity in CBS	21	35	67.0%	45	28.6%
Shipping	4	3	(25.0%)	5	66.7%
Oil Drilling	<u>(11)</u>	<u>(44)</u>	<u>(300.0%)</u>	<u>(30)</u>	<u>31.8%</u>
Net Income Continuing Operations	\$746	\$687	(8.0%)	\$784	14.1%

Source: Lorillard - Business Planning/All Other: Salomon Brothers
39.2% PV Scenario 12/8/92

BP WIC Update 12/7/92

2070982564